

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 218257

70

ORIGIN ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

USIE-00 INRE-00 SP-03 AID-05 EB-12 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 PM-07 H-03

INR-11 L-03 PA-04 PRS-01 TAR-02 FRB-03 INT-08 /125 R

DRAFTED BY ARA/CAR/J:DCNORTON:RC

APPROVED BY ARA/CAR:JRBURKE

EB/IFD/OIA:DSTEBBING

L/EB:SBOND

----- 121562

O P 032116Z OCT 74 ZFF4

FM SECSTATE WASHDC

TO AMEMBASSY GEORGETOWN NIACT IMMEDIATE

INFO AMEMBASSY KINGSTON PRIORITY

AMEMBASSY SANTO DOMINGO

AMCONSUL PARAMARIBO

AMEMBASSY PORT AU PRINCE

LIMITED OFFICIAL USE STATE 218257

E.O. 11652: N/A

TAGS: EMIN EINV GY

SUBJECT: REYNOLDS-GOG NEGOTIATIONS

REYNOLDS HAS RELEASED THE ATTACHED BACKGROUND STATEMENT
ON ITS GUYANA OPERATIONS TO US PRESS:

BEGIN TEXT:

"1. AFTER THE NATIONALIZATION OF THE GUYANA ASSETS OF ALCAN
IN 1971, THE GOVERNMENT INDICATED IT WOULD BE CALLING FOR
DISCUSSIONS OF PARTICIPATION IN REYNOLDS OPERATIONS AND

MEETINGS WITH THE COMPANY WERE INITIATED BY THE GOVERNMENT
IN DECEMBER, 1973, AND AGAIN IN FEBRUARY, 1974. THE
GOVERNMENT INSISTED ON MAJORITY PARTICIPATION AS WELL AS
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 218257

MANAGEMENT OF THE REYNOLDS OPERATIONS, A CONDITION THE

COMPANY COULD NOT AGREE TO.

2. REYNOLDS HAD CONSIDERED VARIOUS MEANS OF GOVERNMENT PARTICIPATION AND PROPOSED A NEW JOINT VENTURE OPERATION WITH THE GOVERNMENT ON CALCINED BAUXITE, WHICH WOULD BE COORDINATED WITH THE EXISTING OPERATION, BUT THE GOVERNMENT EXPRESSED NO INTEREST IN SUCH A PROPOSAL.

3. IN JULY OF THIS YEAR THE PRIME MINISTER OF GUYANA ANNOUNCED TO THE PRESS AND PUBLIC THAT HE WOULD NATIONALIZE THE REYNOLDS OPERATIONS BEFORE THE END OF THE YEAR. ON THE HEELS OF THIS ANNOUNCEMENT REYNOLDS WAS

NOTIFIED THAT THE GOVERNMENT WISHED TO NEGOTIATE NEW BAUXITE PRODUCTION LEVIES RETROACTIVE TO JANUARY 1, 1974.

4. IN THESE DISCUSSIONS REYNOLDS PROPOSED A PAYMENT OF 4 MILLION DOLLARS FOR THE REMAINDER OF THIS YEAR, INCLUDING PRESENT INCOME AND OTHER TAXES AND THEREAFTER A LEVY BASED ON A PERCENTAGE OF THE REALIZED PRICE OF ALUMINUM INGOT, WHICH WOULD, AT THE PRESENT PRICE OF METAL, HAVE YIELDED REVENUES OF MORE THAN 4 MILLION DOLLARS, INCLUDING TAXES ON CALCINED BAUXITE AND CHEMICAL GRADE BAUXITE.

5. REYNOLDS MADE ITS INITIAL INVESTMENT IN GUYANA, THEN BRITISH GUIANA, IN 1952, PURCHASING THE ASSETS AND FACILITIES OF A SUBSIDIARY OF THE AMERICAN CYANAMID COMPANY WHICH HAD BEEN MINING CHEMICAL GRADE BAUXITE FOR THE ALLIED WAR EFFORT IN WORLD WAR II.

6. REYNOLDS OPERATED FOR ABOUT 10 YEARS AT THE ORIGINAL CAPACITY OF 250,000 LONG DRY TONS ANNUALLY BEFORE SUBSTANTIAL EXPANSIONS BEGAN IN 1964. PRODUCTION WAS DOUBLED THAT YEAR AND THE FOLLOWING YEAR, THE COMPANY SIGNED A 25 YEAR TAX AGREEMENT WITH THE BRITISH GUIANA GOVERNMENT SPECIFYING PRICE AND TAX BASIS EFFECTIVE UNTIL 1990. ON THE BASIS OF THIS AGREEMENT, CAPACITY WAS RAISED TO 700,000 LDT PER YEAR IN 1965 AND IN 1966 WORK BEGAN ON AN EXPANSION TO THE PRESENT CAPACITY OF LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 218257

1,100,000 LDT ANNUALLY.

7. ALTHOUGH MARKET CONDITIONS HAVE KEPT ACTUAL PRODUCTION BELOW THE CAPACITY LEVEL, REYNOLDS HAD PLANNED SHIPMENTS IN 1974 OF 930,000 LDT. DURING ALL THE YEARS OF THE 1965 CONTRACT REYNOLDS HAS MET ALL CONDITIONS OF THE AGREEMENT, AND HAS PAID SUBSTANTIAL INCOME TAXES IN ADDITION TO THE BAUXITE LEVIES."

END TEXT.

KISSINGER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, NEGOTIATIONS, MINING INDUSTRY
Control Number: n/a
Copy: SINGLE
Draft Date: 03 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CollinP0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE218257
Document Source: CORE
Document Unique ID: 00
Drafter: DCNORTON:RC
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740280-0688
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741075/aaaachwl.tel
Line Count: 118
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 16 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 SEP 2002 by boyleja>; APPROVED <03 MAR 2003 by CollinP0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REYNOLDS-GOG NEGOTIATIONS REYNOLDS HAS RELEASED THE ATTACHED BACKGROUND STATEMENT
TAGS: EINV, EMIN, GY, REYNOLDS
To: GEORGETOWN
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005